



INTERVIEW

“NBG is planing to regulate crypto market in Georgia” – Koba Gvenetadze, Governor of National



National Bank of Georgia



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How US-Georgia Free Trade Agreement will affect Georgian National currency or financial sector as whole?

A. A free trade agreement with the US, like any other agreements of this kind, may reasonably be expected to benefit the Georgian economy in a number of ways. Potential gains primarily include a boost to exports of goods as well as an impulse for greater foreign direct investments into the economy. The former will help narrow a current account deficit while the latter may give rise to solid foreign currency inflows as well as import of know-how. Other things being equal, all these are expected to result in a medium-run appreciation dynamics in effective exchange rate of lari. The financial sector would also benefit from subsequent improvements in the external balance – through lower risk premia, stronger resilience, and greater stability – especially for a financially dollarized country like Georgia.

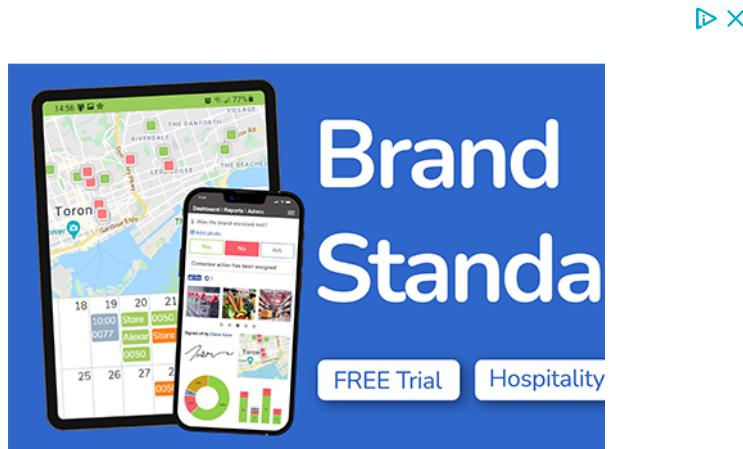


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Q. US and EU are imposing sanctions on Russia that continues escalation of situation in Ukraine. As we know Russia will be cut off USD and other western money resources. How this will affect Georgia's financial sector or businesses?



A. Ukraine and Russia are Georgia's main trading partner countries. Geopolitical tension can be reflected on the Georgian economy through both direct and indirect channels. Geopolitical turmoil will significantly worsen economic outlooks in



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military conflict, Russian economic growth prospects would drastically deteriorate as a result of sanctions. Deteriorated economic growth in both countries will dampen their demand and we will face some fall in exports of goods and tourism as well as in remittances from those countries.

Meanwhile, geopolitical tensions make the region riskier for investors. Hence, it would increase sovereign risk premia, resulting in weaker capital flows in the region and elevated depreciation pressures on domestic currencies that may ultimately translate into inflationary pressures. While this is a yet another unfavorable development for the Georgian economy, for the last 6-7 years thanks to consistent macro management framework our macroeconomy has shown resilience to several pronounced external shocks. This is what international financial institutions as well as rating agencies have repeatedly emphasized.



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Q. Russia is the number one in terms of money transfers to Georgia, thanks to the huge number of Georgian job immigrants there, or Georgians living in Russia. Please evaluate how Sanctions will be affecting money transfers?

A. Over the last couple of years, dependency on money transfers from Russia has been falling and was significantly reduced as remittances have become more diversified. Currently, the share stands at only around 17% (17.5% in



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in case of effective restrictions on electronic transfers some part of inflows from Russia might be substituted by transporting cash individually across the border.

Q. Does NBG considers joining western countries in the series of sanctions? or are you going to cut money turnover with Russian banks?

A. The National Bank of Georgia has always operated and continues to operate in full compliance with the standards set by international resolutions. The United States, Great Britain, EU and other countries have imposed sanctions on Russian financial system due to Russia's aggressive military activities in Ukraine. The National Bank of Georgia instructed the representatives of the Georgian



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Q. What are you expectation about GEL depreciation?

A. Georgia is a small open economy with a floating exchange rate regime meaning that exchange rate may freely fluctuate due to changing market conditions. Thus, in the short run, it is virtually impossible to pin down dynamics in the exchange rate or to forecast its short-run trajectory. Even in the longer run, over which an exchange rate is believed to be mostly influenced by macroeconomic fundamentals, current high degree of uncertainty makes it extremely difficult to make predictions. While, on one hand, end of the pandemic and subsequent recovery in tourism is supposed to improve current account balance and ease pressures on the exchange rate, on the other hand, current geopolitical turmoil creates substantial



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Q. Recently NBG approved new code of ethics regulating communication with borrowers and keeping personal information. Please explain what are the new requirements and why they were necessary.

A. Protecting the rights of consumers in the financial sector is one of the important tasks of the National Bank of Georgia. Hence, the NBG strives to improve current practices to align them with international best practices and address underlying challenges.

The National Bank has approved a Code of



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economies and international best practice, reflecting the peculiarities of the local financial sector and the important issues raised by consumers. The enactment of the code will help strengthen the reputation of financial institutions as trusted partners in the eyes of consumers, and protect consumer rights and interests in the best way practicable, while ensuring that financial institutions conduct **business** relationships based on the principles of good faith, transparency and fairness.

The Code introduces the obligations of **the financial** institutions vis-à-vis the customers in the process of collecting debt, which includes but are not limited to the following important issues:

- Obligation to provide correct information to the customer, adhere to



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- contact persons, the financial institutions should not provide misleading and/or incorrect information to them. The information that is delivered, undelivered, inaccurately and/or incompletely provided to the customer should not motivate them to make a decision that they would not have made if they had accurate and complete information.
- The Code establishes a procedure for contacting customers and contact persons. It includes the form of communication, time and a list of information to be provided and/or sought. Contacting a contact person will only be possible in the cases provided for in the current/active contract, while contacting related third parties will only be possible to determine the location of the borrower. It is not permitted to share information on customer liability with a third party. The concerned persons can be contacted only in the period from 09:00 AM to 20:00 PM. In addition, the contact person is entitled to request the financial institution to terminate communication with them.
 - The financial institutions now have an obligation to maintain records of communication with customers and contact persons and to keep them for a



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- Disposal of the loan portfolio, with some exceptions, will be allowed only to entities under the supervision of the National Bank of Georgia. However, if the loan portfolio is managed by another entity, the entity subject to the supervision of the National Bank of Georgia will be responsible for the compliance with the requirements of the Code, etc.

The new requirements are meant to improve the quality of consumer protection in the financial sector. The National Bank will continue to monitor market practices and upgrade the applicable regulatory framework as necessary.

Q. As you know interest rates of mortgage loans in GEL at Georgian banks increased significantly. While rates for USD loans remain low. Do you think that NBG regulations are limiting individual borrowers seeking USD loans and giving advantages to companies that can get larger loans in USD.

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differential is not the only factor for consideration. Taking USD credit makes the borrower whose income is in Georgian lari exposed to the currency risk, which is significant, given the exchange rate volatility that we or the countries in the region experience. Moreover, the major part of FX mortgage loans are floating interest rate loans, further exposing the clients to the interest rate risk. This is especially noteworthy considering historically low levels of US dollar and Euro interest rates and their potential rise during upcoming periods. On the other hand, to address elevated inflationary pressures, NBG has already tightened monetary policy and the current rate stands at highest level for the decade.

It is worth mentioning that most of the borrowers have income in GEL and fully unhedged to currency fluctuations. To mitigate the risk, NBG's responsible lending regulation requires stronger borrower level buffers when taking FX credit. In addition, to protect the most vulnerable, Civil Code mandates lender to issue less than 200,000 GEL equivalent loans in local currency only. The companies which borrower larger



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capable to manage risks or use hedging instruments.

Q. What is the estimated turnover of crypto currency in Georgia?

A. Due to the fact that the VASP sector is not regulated at this stage, we do not have accurate data on this issue. However, the fifth Round Mutual Evaluation Report of Georgia which was published in September 2020 by Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism – MONEYVAL states that the exchange transaction volume can be between GEL 3.5 to 5 million (EUR 1 to 1.5 million) per month.

Q. Does NBG plan to regulate crypto market in Georgia?

A. Yes, the NBG is planning to regulate crypto market in Georgia. To this regard we have developed an initial draft of the relevant legislative changes in accordance with Financial Action Task Force requirements. We are also benefitting from technical assistance of the International Monetary Fund staff in the development of



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registration / licensing, compliance testing and AML control requirements for crypto market players.

It should be noted, however, that before aforementioned regulations enter into force, some measures have already been taken by the NBG. In particular, financial institutions have been banned from providing virtual asset exchange and transfer services. Also, persons that carry out activities related to virtual assets should be classified by financial institutions as high risk clients and should be subject to appropriate enhanced preventive measures.

Q. Currently there is only one Russian bank operating in Georgia. Are you going to revoke the license in a light of sanctions?

A. We are legally restricted to share any supervisory information that NBG plans to undertake with regard to a specific bank. But we can say that one of the main tasks of the National Bank of Georgia is to ensure the stability of financial sector. Protecting the interests of financial sector depositors is one of the main priorities under this mandate. Our task is to guarantee the



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all depositors will be protected and the liabilities will be fully satisfied.

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COINSPAID – 6 billion month in crypto

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one of the faster and more secure wallets out there

BY THE FINANCIAL · APRIL 4, 2022 · 4 MINS READ · 



By Gela Megeneishvili
While cryptocurrency continues its rapid growth in popularity, companies are quickly adapting and implementing innovative payment methods. CoinsPaid unites multiple products that guide companies and individuals through the world of cryptocurrency and offers a wallet whose security and speed surpass many competitive brands. [The Financial](#) reached out to George Paliani, CoinsPaid Media CEO, to discuss the company's activities and among other eye-opening topics.

Q. What products does CoinsPaid offer its clients?

A. CoinsPaid has developed an all-round ecosystem that allows businesses to fully leverage cryptocurrencies in their [business](#)



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markets while using our reliable crypto processing services and wallets. While CoinsPaid does indeed provide solutions for individuals, its main focus is to serve the B2B market. The industries we enable include iGaming, PSP companies, esports, e-commerce, the entertainment industry and others.

Currently, we are the world's number one crypto processor with regard to the volume of iGaming transactions — we're proud of this achievement. We provide crypto processing, B2B and B2C wallets, retail wallets (still in beta), OTC desk, SaaS solution, token integration, transactions and much more. We also released our CPD utility token that is used for internal crypto operations and client incentives. It unites all CoinsPaid products and projects.

Q. How many users does CoinsPaid have worldwide? How do your financial figures stand in 2022?

A. Based on the latest report, we can count over 800 companies as our clients who handle their transactions via our crypto processing solutions. In 2021, we had over 9 million transactions worth more than \$6



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addition, we also carry out more than 7% of all Bitcoin transactions worldwide. As for CPD tokens, there are over 1300 token holders globally on all three chains that we operate.

Q. What are the advantages of paying with cryptocurrency and using the CoinsPaid wallet?

A. The first advantage is international reach. This is especially important for businesses that operate in multiple markets. When using crypto, these companies don't need to connect to various payment systems in the respective countries. It's groundbreaking: Any user from any country can make payments using cryptocurrency, which presents an unbeatable opportunity to increase the number of merchants. Secondly, there are no limits in regards to the number of transactions, as is the case for bank transfers. Clients can receive and send any amount of crypto. We don't believe in enforcing caps. Thirdly, crypto payments have an excellent transaction speed. The need to wait for several banking days for the money to be credited to an account is



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See also [Villa Residence Attracted \\$200 Million Investment This Year For Georgia's Urban Development](#)

Q. What are the commissions for managing accounts on CoinsPaid and how does it compare to the industry standard?

A. We offer a very generous deal.

Customers pay a small percentage that is clearly stated in the commercial offer. At CoinsPaid, we believe in transparency, meaning clients get what they see. There are no extra fees for integration or maintenance. During the partnership, we work with clients individually and offer better conditions on commissions for larger holdings. For a large number of transactions, the commission less than 1%, and we are proud to offer competitive conditions that make us stand out on the market.

Q. How do you think the pandemic has contributed to the growth of CoinsPaid and the phenomenon of cryptocurrency in general?

A. The pandemic has changed the world,



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new reality. World has switched from cash to bank cards, then to complex payments, with cryptocurrencies being the next evolutionary step. Interest in cryptocurrencies is growing. According to crypto.com, the number of crypto users has almost doubled and amounted to 222 million from February to March 2021. At the same time, the number of Bitcoin holders decreased from 63% to 51%, while the percentage of other cryptocurrencies' owners grew from 35% to almost 50%. The world is moving from centralized fintech towards an independent and promising decentralized one.

The industry as a whole is adding more development opportunities, such as the mass adoption of tokens, NFTs, metaverses and so on. Currently, there is a tug-of-war between the crypto market and regulators. Many countries try to centralize cryptocurrency circulation. For instance, China has been testing the digital yuan since 2020, and in 2021 France, Russia, Venezuela, South Korea and other countries began introducing their digital currencies. It is interesting to see how regulations will affect cryptocurrencies in



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Q. How secure are the user data and payments on the CoinsPaid wallet? What is the technology used?

A. We understand the essence of security. I would like to mention that we have an Estonian license and have also created such an ecosystem that shows our clients all the steps we take towards creating secure solutions.

All our products are designed with the philosophy of asking ourselves what we can do to make our funds even more secure?

CoinsPaid is a cloud-based crypto processing system audited and approved by the best security supervisor companies, such as 10guards. In 2019, we were one of the first companies to pass the Kaspersky labs audit, highlighting our commitment to cybersecurity.

Q. How does a crypto wallet compare to the traditional account at the bank? What are the differences?

A. Using a crypto wallet is more convenient



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funds. In the crypto wallet, clients can initiate invoices and operate as a standard **business** with all the included features. The distinctive characteristics of using our crypto wallet are the speed of transactions and no commission to the banks for many types of international payments.

Q. What are the advantages of blockchain technology compared to the traditional banking system?

A. Decentralized finance uses emerging technology to remove third parties such as banks from transactions. As mentioned earlier, this gives businesses many advantages, such as increased transaction speeds and the opportunity to buy goods, like real estate or other commodities, in a fast, efficient and secure way. Moreover, no approval is needed for banks or any international organizations as it gives you access to your own money. Crypto is the future currency. More and more businesses conduct transactions with digital assets worldwide, and the trend keeps on growing.

Q. What are the five most used cryptocurrencies at CoinsPaid?



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A. The top five most used cryptocurrencies at CoinsPaid are Bitcoin, Tether, Litecoin, Bitcoin Cash, Cardano and Ethereum.

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